

BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of  
  
Federal State Joint Board on  
Universal Service

CC Docket No. 96-45

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COMMENTS OF THE  
NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

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August 2, 1996

10/10/96

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NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

Pursuant to the Federal Communications Commission's ("FCC" or "Commission") Rules of Practice and Procedure, 47 C.F.R. §§ 1.49, 1.41, and 1.415 (1995), the National Association of Regulatory Utility Commissioners' ("NARUC") respectfully submits the following comments in response to the FCC's July 3, 1996 Public Notice ("**NOTICE**") seeking additional input on 71 questions, which issued in the above-caption proceeding.

I. RESPONSES

Because of the State's strong interest in Universal Service issues, and the related notion of comprehensive review, NARUC has taken positions on a some of the issues raised by the notice. Indeed, during our recent meetings, held last month in Los Angeles, NARUC passed another resolution relevant to these proceedings. That resolution reaffirms the following:

- o Any universal service scheme that is adopted by the Federal Communications Commission should not undermine the States' flexibility to respond to unique local conditions;

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<sup>1</sup> The four State Commissioners serving on the § 254 Joint Board convened in this proceeding did not participate in the drafting, discussion, or final review of these pleadings.

- o The funds and the mechanisms necessary to support the federal universal service requirements, as defined consistent with the Act, must be funded only through the contributions of providers of interstate telecommunications services; and
- o The Joint Board should examine alternative methods of recovering the non-traffic sensitive costs currently recovered by the interstate carrier common line charge in a manner other than increasing the subscriber line charge.

A copy of the resolution is attached for your information and review.

The third affirmation listed, supra, and previous NARUC pleadings, provide the basis for the following responses to questions 69 and 70 concerning the Subscriber Line and CCL charges:

**Question 69:** If a portion of the CCL charge represents a subsidy to support universal service, what is the total amount of the subsidy? Please provide supporting evidence to substantiate such estimates.

**NARUC Response: The CCL charge is not a subsidy.**

Loop plant, and associated network facilities, are used to provide both local and toll services. Interexchange carriers should pay a portion of the NTS loop cost, and the associated network expenses, because they use the loop plant to provide their services. The CCL charge represents the recovery of an appropriately allocated portion of the embedded costs of providing loops to residential and business customers. As such, it is not a subsidy. A subsidy only occurs if a service is priced at less than its long run marginal cost.

Indeed, Commission decisions in Maine, New Hampshire and Washington State have, based upon extensive record evidence, have determined that current residential and business rates for local exchange service exceed their long run marginal cost for these services. Accordingly, the CCL charge can not represent a subsidy to such services.

**Question 70:** If a portion of the CCL charge represents a contribution to the recovery of loop costs, please identify and discuss alternatives to the CCL charge for recovery of those costs from all interstate telecommunications service providers (e.g., bulk billing, flat rate/per line charge).

**NARUC Response: A flat rate charge on presubscribed IXC.**

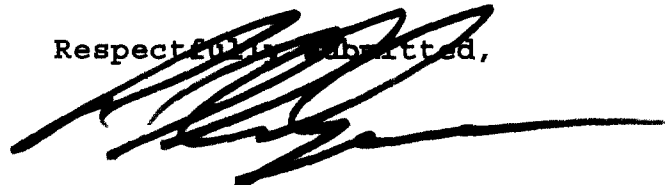
An alternative to using the CCL charge for recovery was expressed in detail on pages 12-17 of NARUC's initial comments in this docket. In summary, NARUC suggested that, in the future, costs currently recovered through the CCL, and subscriber line charge, could be recovered via a flat per line charge assessed on the presubscribed interexchange carrier for each subscriber line.

### **III. CONCLUSION**

In response to communications reform, NARUC has focused upon principles to establish an appropriate Federal-State regulatory framework and appropriate Universal Service policies. When the text of the FCC's order in CC Docket 96-98 becomes available, NARUC may find it necessary to file additional ex parte comments modifying/supplementing its previously stated positions.

In the interim, in light of acknowledged State concerns, we respectfully request that the Joint Board carefully consider and incorporate NARUC's positions, as outlined infra, in any recommendations to the FCC.

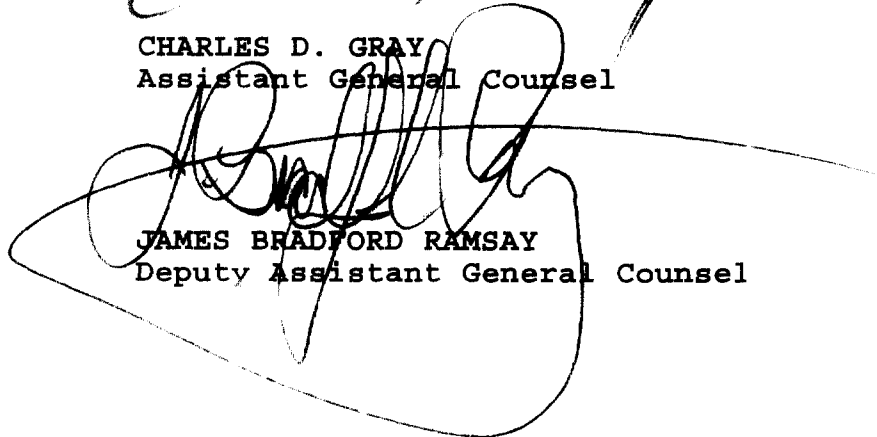
Respectfully Submitted,



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## **Universal Service Resolution**

**WHEREAS**, Federal-State cooperative efforts are essential to maintaining and advancing universal service; and

**WHEREAS**, The States have a critical and important role to play in preserving and advancing universal service; and

**WHEREAS**, Any universal service scheme that is adopted by the Federal Communications Commission should not undermine the States' flexibility to respond to unique local conditions; and

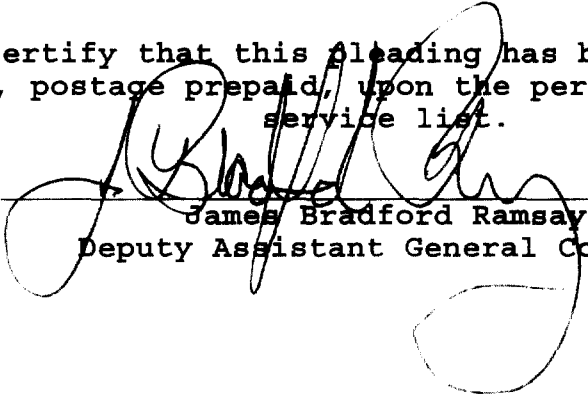
**WHEREAS**, The universal service Joint Board (convened in CC No. 96-45) should examine alternative methods of recovering the non-traffic sensitive costs currently recovered by the interstate carrier common line charge in a manner other than increasing the subscriber line charge; and

**WHEREAS**, The funds and the mechanisms necessary to support the federal universal service requirements, as defined consistent with the Act, must be funded only through the contributions of providers of interstate telecommunications services; now, therefore, be it

**RESOLVED**, That the National Association of Regulatory Utility Commissioners (NARUC), convened at its 1996 Summer Meeting in Los Angeles, California, authorizes its General Counsel to take any actions necessary to further the goals enunciated in this resolution.

Certificate of Service

I hereby certify that this pleading has been served by first class mail, postage prepaid, upon the persons on the attached service list.



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James Bradford Ramsay  
Deputy Assistant General Counsel